Node 4 Limited

Annual report and financial statements

for the year to 31 March 2014

Registered number 04759927

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Node 4 Limited

Annual report and financial statements for the year to 31 March 2014

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Node 4 Limited

Officers and professional advisors

Directors

Mr A Gilbert
Mrs K Gilbert
Mr P Bryce
Mr R Baker
Mr D Goldie
Mr B Waldron
Mr M Draper
Mr J Green

Registered office

Millennium Way
Pride Park
Derby
DE24 8HZ

Bankers

National Westminster Bank PLC
Derby City
Crompton House
Derwent Street
Derby
DE1 2ZG

Solicitors

Pinsent Masons LLP
3 Colmore Circus
Birmingham
B46BH

Independent auditors

PricewaterhouseCoopers LLP
Donington Court
Pegasus Business Park
Castle Donington
DE74 2UZ

Node 4 Limited

Strategic report
for the year to 31 March 2014

The directors present their strategic report for the year to 31 March 2014.

Principal activities

The principal activity of the company is the provision of IT services.

Results

The company generated earnings before interest, taxation, depreciation and amortisation (EBITDA) in the year to 31 March 2014 of £3,994,020 *(2013: £3,068,721)* and an operating profit of £3,089,889 *(2013: £2,290,409)* for the same period. The profit on ordinary activities before taxation for the year was £3,075,729 *(2013: £2,258,926).*

Business review

The business of the company is focused on co-location, connectivity, communications and cloud services. We have four modern, high quality data centre facilities: two in Derby, one in Leeds and one in Northampton. Our data centres offer the latest in security technology, ensuring that even the most mission-critical customer applications are hosted securely and protected from threats. Alongside these data centres we have national connectivity, enterprise grade cloud technology and a carrier grade communications platform which enable us to deliver a great range of services to growing customers. We have a strong business culture that is built around working with our customers. We believe in flexibility and view our customers as partners, aiming to provide the best customer experience. We pride ourselves on the satisfaction that our customers achieve whilst working with us.

During the year the business has steadily grown customer numbers and sales across all four main categories. A particular area of focus has been the strengthening of a network of reseller partners, to expand this alternative sales channel in support of the growth strategy.

A rebranding exercise was completed towards the end of 2014 culminating in the launch of a new website in November 2014.

Shortly into the year, on 24 May 2013 the entire share capital of the company was acquired by Castlegate Yamaha Investments Limited. This acquisition facilitated a management buyout of the business and provided access to finance to fund sales and profits growth. On 11 September 2013 the parent company name was changed to Node 4 Holdings Limited.

Future developments

The company intends to maintain steady growth into the future, leveraging off the capacity available in its well invested data centres, complemented by the service portfolio and taking advantage of the market trend towards outsourced IT infrastructure.

The company has followed a regional business model and this is expected to continue in the coming years.

To this end and after the balance sheet date, on 5 August 2014, the acquisition of LETN Solutions Limited was completed by the company. LETN Solutions Limited is a Reading based business specialising in the provision of cloud services. In addition to providing expansion to the south of the company's existing territory, the acquisition of LETN Solutions Limited complements the company's service portfolio.

Key performance indicators

The company relies on various KPIs, which are regularly reviewed by the management team and board. The main KPIs are as follows:

- Sales activity, particular in relation to monthly rental of space in its data centres (utilisation and rental rates achieved). Utilisation has risen smoothly in the year with no dilution of rate achieved.
- Gross margin by product category is stable or improving across each product category
- Earnings before interest, taxation, depreciation and amortisation (EBITDA) has improved in the year.

Strategic report
for the year to 31 March 2014 (continued)

Principal risks and uncertainties

The directors consider the biggest risks to stem from the management of the growth of the business. In operational terms this risk manifests in areas such as employee and customer retention and the company strives to foster a culture and customer service ethos to mitigate this.

In financial terms the directors consider and manage these risks in the following terms:

Credit risk

The company policy in respect of credit risk is to require appropriate credits checks on all potential customers prior to sales being made. In addition direct debit is stipulated as a preferred method for customer payment and a rigorous credit control policy is followed.

Liquidity and cash flow risk

The board regularly reviews the cash position and cash flow forecasts for the company. The company has a free cash balance and the group has committed bank facilities available to finance capital expenditure and working capital in pursuit of growth.

Interest rate risk

The parent company has purchased an interest rate cap to mitigate the risk of increases in interest rates.

Approved by the board of directors and signed on behalf of the board on 17 December 2014.



A Gilbert

Director

Node 4 Limited

Directors' report
for the year to 31 March 2014

The directors present their annual report and the audited financial statements of company for the year to 31 March 2014.

Directors

The directors who served throughout the year, and subsequently, are as follows:

Mr A Gilbert
Mrs L Warren (resigned 24 May 2013)
Mr P Bryce (appointed 24 May 2013)
Mrs K Gilbert (appointed 24 May 2013)
Mr A Lyndon (appointed 24 May 2013, resigned 2 July 2013)
Mr D Goldie (appointed 24 May 2013)
Mr B Waldron (appointed 24 May 2013)
Mr M Draper (appointed 24 May 2013)
Mr J Green (appointed 2 July 2013)
Mr R Baker (appointed 26 February 2014)

Dividends

The directors do not recommend the payment of a dividend.

Going concern

The directors have considered the trading performance of the company, together with the factors likely to affect its future development as well as its current liquidity position. The directors have reviewed the company's forecasts and likely future cash flows, taking into account the group's current net borrowings, loan repayment schedules and uncommitted cash deposits.

Based on the available information on the future, the directors consider that the company has a diverse range of products and services and has the plans and resources to manage its business risks successfully and remain financially robust.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue operations for the foreseeable future. Accordingly, the going concern basis of preparation continues to be adopted in the financial statements.

Employees

Disabled applicants and existing disabled employees of the company are treated fairly and on terms comparable with those of other employees. Equally, employees who become disabled during their employment receive training, where necessary, in order to promote their ongoing career development.

Repurchase of shares

During the year the company repurchased 1,300,000 preference shares of £1 each at their par value through the proceeds of an issue of 1,307,925 ordinary shares of £1 each. The preference shares were immediately cancelled.

Strategic report

The following items have been included within the strategic report on pages 2 to 3:

- Principal activities
- Results
- Business review
- Future developments
- Key performance indicators
- Principal risks and uncertainties

Directors' indemnities
The company maintained liability insurance for its directors and officers. This is a qualifying indemnity provision for the purposes of the Companies Act 2006, and was in place during the financial year up to the date of signing these financial statements.

Directors' report for the year 31 March 2014 (continued)

Statement of directors' responsibilities

The directors are responsible for preparing the strategic report, directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditors

In accordance with section 418 of the Companies Act 2006, directors' reports shall include a statement, in the case of each director in office at the date the directors' report is approved, that:

(a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
(b) he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Appointment of auditors

PricewaterhouseCoopers LLP were appointed on 10 June 2014 to replace Deloitte LLP on their resignation.

Approved by the board of directors and signed on behalf of the board on 17 December 2014.

A Gilbert
Director

Independent auditors' report to the members of Node 4 Limited

Report on the financial statements

Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the company's affairs as at 31 March 2014 and of the company's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The financial statements, which are prepared by Node 4 Limited, comprise:

- the Balance sheet as at 31 March 2014;
- the Profit and loss account for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditors' report to the members of Node 4 Limited (continued)

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

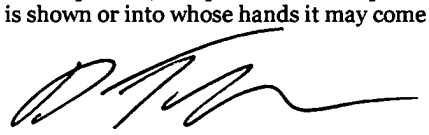
Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.



David Teager (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
East Midlands
19 December 2014

Node 4 Limited

Profit and loss account
for year to 31 March 2014

	Note	2014	2013 as restated
		£	£
Turnover	2	**14,926,316**	13,379,196
Cost of sales		**(6,305,594)**	(5,857,037)
Gross profit		**8,620,722**	7,522,159
Administrative expenses		**(5,530,833)**	(5,231,750)
Operating profit	3	**3,089,889**	2,290,409
Interest receivable and similar income	5	**7,538**	29,318
Interest payable and similar charges	6	**(21,698)**	(60,801)
Profit on ordinary activities before taxation		**3,075,729**	2,258,926
Tax on profit on ordinary activities	7	**(656,655)**	(572,887)
Profit for the financial year	15	**2,419,074**	1,686,039

All results are derived from continuing operations.

There is no material difference between the profit disclosed above and the profit stated on an unmodified historic cost basis.

The company has no recognised gains or losses for the current year or prior year other than the results above and accordingly no statement of total recognised gains and losses has been prepared.

The notes on pages 10 to 19 form part of these financial statements

Node 4 Limited

Balance sheet
as at 31 March 2014

	Note	2014	2013
		£	£
Fixed assets			
Tangible assets	8	**6,466,865**	6,450,166
Current assets			
Stocks	9	**26,534**	26,534
Debtors: amounts falling due within one year	10	**1,451,513**	1,766,380
Debtors: amounts falling due after more than one year	10	**-**	58,146
Cash at bank and in hand		**2,432,791**	877,573
		3,910,838	2,728,633
Creditors: amounts falling due within one year	11	**(2,820,587)**	(3,094,383)
Net current assets/(liabilities)		**1,090,251**	(365,750)
Total assets less current liabilities		**7,557,116**	6,084,416
Creditors: amounts falling due after more than one year	12	**(86,132)**	(2,311,121)
Provisions for liabilities and charges	13	**(263,440)**	(292,750)
Net assets		**7,207,544**	3,480,545
Capital and reserves			
Called up share capital	14	**1,308,025**	100
Profit and loss account	15	**5,899,519**	3,480,445
Total shareholders' funds	16	**7,207,544**	3,480,545

These financial statements were approved by the Board of Directors and authorised for issue on 17 December 2014

Signed on behalf of the Board of Directors

A Gilbert
Director
Company Registration Number: 04759927

The notes on pages 10 to 19 form part of these financial statements

Notes to the financial statements for the year to 31 March 2014

1 Accounting policies

The financial statements are prepared in accordance with applicable accounting standards in the United Kingdom. The principal accounting policies adopted are described below and have been applied consistently.

Accounting convention

The financial statements are prepared under the historical cost convention and on a going concern basis after due consideration of the principal risks and uncertainties as disclosed in the report of the directors, and in accordance with the Companies Act 2006.

The company has taken advantage of the exemption under FRS 8 'Related party disclosures' not to disclose transactions between wholly owned entities in the group.

The company has taken advantage of the exemption available to subsidiary companies under FRS 1 'Cash flow statements - Revised' not to prepare a cash flow statement on the grounds that its cash flows are included in the publicly available financial statements of its parent company.

The directors have reviewed the presentation of sales and expense captions in the profit and loss account and determined that reclassification of a limited number of items was required in order to more appropriately reflect the nature of business activities. As a result, comparative figures for the prior year have been restated. There is no impact on the result or the net assets for either the current or comparative year.

Going concern

The directors have considered the trading performance of the company, together with the factors likely to affect its future development as well as its current liquidity position. The directors have reviewed the company's forecasts and likely future cash flows, taking into account current group net borrowings, loan repayment schedules and uncommitted cash deposits.

Based on the available information on the future, the directors consider that the company has a diverse range of products and services and has the plans and resources to manage its business risks successfully and remains financially robust.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue operations for the foreseeable future. Accordingly, the going concern basis of preparation continues to be adopted in the financial statements.

Turnover

Turnover represents amounts derived from the provision of goods and services which fall within the principal activity of the company, after deduction of trade discounts and VAT.

Turnover from the supply of services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the value of the consideration due. Where a contract has only been partially completed at the balance sheet date, turnover represents the value of the service provided to date based on a proportion of the total contract value. Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of creditors due within one year.

Pensions

The company operates a defined contribution pension scheme. Contributions are recognised in the profit and loss account in the year in which they become payable in accordance with the rules of the scheme.

Stocks

Stocks are valued at the lower of cost and net realisable value, after due regard for obsolete and slow moving items. Net realisable value is based on selling price less anticipated costs to completion and selling costs.

Notes to the financial statements for the year to 31 March 2014

1 Accounting policies (continued)

Taxation

UK corporation tax is provided at amounts expected to be paid (or recovered) using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Research and development expenditure

All research costs are charged immediately to profit or loss. Costs incurred on development projects are recognised as intangible assets when they meet the requirements of SSAP 13 'Accounting for research and development.' Development costs that cannot be capitalised are charged to profit or loss in the period in which they occur.

Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost of each asset on a straight line basis over its expected useful life, as follows:

Asset class	Depreciation method rate
Leasehold improvements	Straight line basis over the remaining term of the lease
Office equipment	33⅓% straight line basis
Fixtures and fittings	20% straight line basis
Hosting equipment	20 or 33⅓% straight line
Motor Vehicles	20% straight line basis

Borrowings

Borrowings are initially stated at the fair value of the consideration received after deduction of wholly attributable issue costs. Issue costs are amortised to the profit and loss account over the estimated life of the relevant borrowings.

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as financial assets, financial liabilities or equity instruments.

An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. Where shares are issued, any component that creates a financial liability of the company is presented as a liability in the balance sheet. The corresponding dividends relating to the liability component are charged as interest expenses in the profit and loss account.

Leasing and hire purchase commitments

Assets obtained under leases which result in the transfer to the company of substantially all the risks and rewards of ownership (finance leases) and hire purchase contracts are included in the balance sheet at the estimated present value of underlying rental payments and are depreciated in accordance with the policy above. Obligations under such agreements are included in creditors, net of finance charges allocated to future years. The finance element of the rental payments is charged to the profit and loss account over the period of the lease or hire purchase contract so as to produce a constant periodic rate of charge on the outstanding balance of the net obligation in each year.

Rentals paid under other leases (operating leases) are charged against income on a straight-line basis over the lease term.

Notes to the financial statements for the year 31 March 2014

2 Turnover

IT services is considered to be the only material class of business carried on by the company. An analysis of turnover by geographical location is given below:

	2014	2013
	£	£
United Kingdom	**14,926,316**	13,379,196

3 Operating profit

Operating profit is stated after charging:

	2014	2013
	£	£
Operating lease rentals:		
• Plant and machinery	**108,404**	108,146
• Other	**474,234**	545,770
Auditors' remuneration:		
• Audit of the company's annual statutory financial statements	**5,000**	12,500
• Other assurance services	**1,000**	-
• Tax compliance services	**4,000**	2,500
• Tax advisory services	**86,000**	-
• Other non-audit services not covered above	**2,000**	-
Research and development expenditure	**151,241**	149,698
Depreciation		
• Owned assets	**819,576**	621,412
• Held under finance leases (note 8)	**84,555**	156,900
Loss on disposal of fixed assets	**19,888**	2,977

Notes to the financial statements for the year to 31 March 2014

4 Information regarding directors and employees

	2014	2013
	£	£
Directors' remuneration – aggregate emoluments	**294,516**	219,964
Remuneration of the highest paid director	**177,556**	207,964

Average monthly number of persons employed	**2014**	2013
	Number	Number
Directors	**5**	1
Sales	**21**	15
Developers	**4**	4
Technical	**28**	25
Project management	**1**	1
Finance and administration	**4**	6
	63	52

Staff costs	**2014**	2013
	£	£
Wages and salaries	**2,380,875**	2,012,018
Social security costs	**255,623**	217,277
Pensions (note 18)	**3,428**	3,392
	2,639,926	2,232,687

5 Interest receivable and similar income

	2014	2013
	£	£
Bank interest receivable	**41**	2
Other interest receivable	**7,497**	29,316
	7,538	29,318

Notes to the financial statements for the year to 31 March 2014

6 Interest payable and similar charges

	2014	2013
	£	£
Interest on bank borrowings	-	1,609
Interest on finance leases and similar hire purchase contracts	20,736	45,964
Interest on other loans	-	6,328
0.5% cumulative preference share dividends	962	6,900
	21,698	60,801

7 Tax on profit on ordinary activities

	2014	2013
	£	£
Current taxation		
United Kingdom corporation tax		
Current year	671,307	578,264
Adjustment relating to prior year	14,658	
	685,965	578,264
Deferred taxation		
Origination and reversal of timing differences	12,980	8,798
Adjustment in respect of prior years	(2,774)	(1,440)
Effect of changes in tax rates	(39,516)	(12,735)
Tax on profit on ordinary activities	656,655	572,887

Factors affecting the current tax charge for the year

Tax on profit on ordinary activities for the year is lower (2013: higher) than the standard rate of corporation tax in the UK of 23 % *(2013: 24%)*.

The differences are reconciled below:

	2014	2013
	£	£
Profit on ordinary activities before taxation	3,075,729	2,258,926
Corporation tax at standard rate of 23%	707,418	542,142
Factors affecting charge for the year:		
Capital allowances in excess of depreciation	(15,306)	(10,980)
Disallowable expenses	8,511	45,086
Utilisation of tax losses brought forward	-	2,016
Adjustment in respect of prior years	(14,658)	-
Total actual amount of current tax	685,965	578,264

Notes to the financial statements for the year to 31 March 2014

7 Tax on profit on ordinary activities (continued)

In the Finance Act 2013 the main rate of corporation tax was reduced from 23% to 21% from 1 April 2014 and to 20% from 1 April 2015. As these rate reductions were substantively enacted at the balance sheet date, deferred tax balances have been remeasured based on a rate of 20 percent based upon the expected timing of reversal of the related timing or temporary difference.

8 Tangible fixed assets

	Leasehold improve-ments	Fixtures and fittings	Office equipment	Motor Vehicles	Hosting equipment	Total
	£	£	£	£	£	£
Cost						
At 1 April 2013	6,296,352	276,289	270,175	168,128	2,714,730	9,725,674
Additions	487,988	15,723	17,217	-	536,455	1,057,383
Disposals	-	-	-	(168,128)	-	(168,128)
At 31 March 2014	**6,784,340**	**292,012**	**287,392**	**-**	**3,251,185**	**10,614,929**
Accumulated depreciation						
At 1 April 2013	912,204	244,030	240,493	26,064	1,852,717	3,275,508
Charge for the year	465,832	14,161	24,364	5,511	394,263	904,131
Disposals	-	-	-	(31,575)	-	(31,575)
At 31 March 2014	**1,378,036**	**258,191**	**264,857**	**-**	**2,246,980**	**4,148,064**
Net book amount						
At 31 March 2014	**5,406,304**	**33,821**	**22,535**	**-**	**1,004,205**	**6,466,865**
At 1 April 2013	5,384,148	32,259	29,682	142,064	862,013	6,450,166

Leased assets

Included within the net book value of tangible fixed assets is £556,669 *(2013: £1,608,135)* in respect of assets held under finance lease or similar hire purchase agreements. Depreciation for the year on these assets amounted to £84,555 *(2013: 156,900)*.

9 Stocks

	2014	2013
	£	£
Consumables	**26,534**	26,534

Notes to the financial statements for the year to 31 March 2014

10 Debtors

Amounts falling due within one year	2014	2013
	£	£
Trade debtors	**769,494**	386,221
Amounts owed by parent company	**2,634**	-
Other debtors	**58,066**	1,034,927
Prepayments and accrued income	**621,319**	345,232
	1,451,513	1,766,380

Amounts falling due after more than one year	2014	2013
	£	£
Corporation tax	-	58,146
Total debtors	**1,451,513**	1,824,526

11 Creditors: amounts falling due within one year

	2014	2013
	£	£
Trade creditors	**1,138,784**	942,404
Other loans	-	240,000
Finance leases and similar hire purchase contracts	**161,888**	454,966
Corporation tax	**518,251**	578,264
Other taxes and social security	**404,952**	354,223
Other creditors	-	53,448
Accruals and deferred income	**596,712**	471,078
	2,820,587	3,094,383

Obligations under finance lease and similar hire purchase contracts are secured on the specific assets to which the finance relates.

Notes to the financial statements for the year to 31 March 2014

12 Creditors: amounts falling due after more than one year

	2014	2013
	£	£
Other loans	-	938,477
Finance leases and similar hire purchase contracts	86,132	72,644
0.5% cumulative non-redeemable preference shares	-	1,300,000
	86,132	2,311,121

Obligations under finance lease and similar hire purchase contracts are secured on the specific assets to which the finance relates.

On 24 May 2013 the company repurchased the non-redeemable preference shares which were subsequently cancelled. These were repurchased using the proceeds of the issue of 1,307,925 ordinary shares at £1 per share.

13 Provisions for liabilities and charges

	Deferred tax
	£
At 1 April 2013	292,750
Credit in the year	(29,310)
At 31 March 2014	**263,440**

14 Called up share capital

	Allotted, called up and fully paid 2014	Allotted, called up and fully paid 2013	Allotted, called up and fully paid 2014	Allotted, called up and fully paid 2013
	£	£	Number of shares	Number of shares
Ordinary shares of £1 each	1,308,025	100	1,308,025	100

On 24th May 2013, the company issued 1,307,925 ordinary shares of £1 at par.

Each ordinary share entitles the holder to one vote at shareholder meetings and all ordinary shares rank equally in relation to distributions of income or capital.

15 Profit and loss account

	Profit and loss account
	£
At 1 April 2013	3,480,445
Profit for the year	2,419,074
At 31 March 2014	**5,899,519**

Notes to the financial statements for the year to 31 March 2014

16 Reconciliation of movements in shareholders' funds

	2014	2013
	£	£
Issue of ordinary shares	**1,307,925**	-
Profit for the year	**2,419,074**	1,686,039
Net increase in shareholders' funds	**3,726,999**	1,686,039
Opening shareholders' funds	**3,480,545**	1,794,506
Total shareholders' funds	**7,207,544**	3,480,545

17 Contingent liabilities

The company has provided a guarantee in respect of the bank borrowings of its parent company, which at 31 March 2014 amounted to £10,867,208 *(2013: £nil)*.

18 Pension schemes

Defined contributions pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £3,428 *(2013: £3,392)*.

Contributions totalling £nil *(2013:£nil)* were due to the scheme at the end of the year.

19 Financial commitments

At 31 March 2014 the company had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings	Land and buildings	**Other**	Other
	2014	2013	**2014**	2013
Within one year	-	-	**32,424**	4,929
In two to five years	-	-	**54,845**	87,956
More than 5 years	448,000	448,300	-	-
	448,000	448,300	**87,269**	92,885

Notes to the financial statements for the year to 31 March 2014

20 Related party transactions

During the year, the company was involved in the following related party transactions.

Dedipoint Midlands Limited

Dedipoint Midlands Limited is controlled by Mr A Gilbert.

During the year the company made purchases from Dedipoint Midlands Limited of £10,815. At the balance sheet date, the amount due to Dedipoint Midlands Limited was £10,815.

G&W Properties Ltd

Mr A Gilbert is a director of G&W Properties Ltd, the owner of property occupied by the company.

During the year, the company incurred rental charges from G&W Properties Ltd of £232,000. At the balance sheet date, no amounts were due to G&W Properties Ltd and an amount of £93,932 of rent charged was held in prepayments.

21 Events after the balance sheet date

After the balance sheet date, on 5 August 2014, the acquisition of LETN Solutions Limited was completed for a total consideration of £3,900,000. LETN Solutions Limited is a Reading based business specialising in the provision of cloud services.

22 Controlling party

The company is a wholly owned subsidiary undertaking of Node 4 Holdings Limited, which is also the ultimate parent company and ultimate controlling party. Node 4 Holdings Limited is also the smallest and largest group of companies to consolidate these financial statements. The consolidated financial statements of Node 4 Holdings Limited can be obtained from Unit 1a – 1b, Millennium Way, Pride Park, Derby, DE24 8HZ.